

PIERRE SCHOOL DISTRICT NO. 32-2

AUDIT REPORT

JUNE 30, 2008

PIERRE SCHOOL DISTRICT NO. 32-2
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

School Board
Pierre School District No. 32-2
Hughes County, South Dakota

I have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Pierre School District No. 32-2, Hughes County, South Dakota, as of and for the fiscal year ended June 30, 2008 which collectively comprise Pierre School District's basic financial statements, and have issued my report thereon dated November 13, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing my audit, I considered Pierre School District's internal control over financial reporting a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency

is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the School District's financial statements that is more than inconsequential will not be prevented or detected by the School District's internal control. I consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. These are numbered 2008-01 and 2008-02.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the School District's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe that the significant deficiencies described above are material weaknesses. See findings number 2008-01 and 2008-02.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pierre School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Pierre School District's response to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. I did not audit the School District's response and, accordingly, I express no opinion on it.

This report is intended for the information and use of the South Dakota Legislature, the governing board and management of Pierre School District No. 32-2 and is not intended to be and should not be used by anyone other than these specified parties. However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

Darryl L. Larson

November 13, 2008

Gary L. Larson, CPA

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

School Board
Pierre School District No. 32-2
Hughes County, South Dakota

Compliance:

I have audited the compliance of Pierre School District No. 32-2, Hughes County, South Dakota with types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the fiscal year ended June 30, 2008. Pierre School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Pierre School District's management. My responsibility is to express an opinion on Pierre School District's compliance based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments, and Non-profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pierre School District's compliance with those requirements and performing such other procedures, as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Pierre School District's compliance with those requirements.

In my opinion, Pierre School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control over Compliance

The management of Pierre School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered Pierre School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the School District's internal control over compliance.

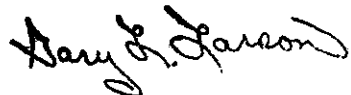
My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the School District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, I identified certain deficiencies in internal control over compliance that I consider to be significant deficiencies and material weaknesses.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects that entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. I consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2008-03 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questions Costs, I consider item number 2008-03 to be a material weakness.

The Pierre School District's response to the findings identified in my audit are described in the accompanying Schedule of Findings and Questioned Costs. I did not audit the School District's response and, accordingly, I express no opinion on it.

This report is intended for the information and use of federal awarding agencies and pass-through entities, the South Dakota Legislature, the governing board and management of Pierre School District No. 32-2 and is not intended to be and should not be used by anyone other than those specified parties. However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



November 13, 2008

PIERRE SCHOOL DISTRICT No. 32-2
SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2008

Prior Audit Findings relative to Financial Statement Audit:

FINDING NUMBER 2007-01 and 2006-01:

A material weakness is present due to a lack of segregation of duties.

STATUS AS OF JUNE 30, 2008:

The condition noted in prior audits is still applicable.

Prior Audit Findings Relative to Federal Awards:

FINDING NUMBER 2007-02 and 2006-02:

A material weakness was reported due to a lack of segregation of duties.

STATUS AS OF JUNE 30, 2008:

The condition noted in prior audits is still applicable.

PIERRE SCHOOL DISTRICT No. 32-2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008

1. SUMMARY OF AUDITOR'S RESULTS

- a. An unqualified opinion was issued on the financial statements.
- b. A significant deficiency and material weakness was disclosed by the audit. It is reported in Section 2, Finding Number 2008-01 and 2008-02.
- c. No instances of noncompliance were noted by the audit.
- d. A significant deficiency and material weakness over major programs was noted. See Section 3, Finding Number 2008-03 below.
- e. An unqualified opinion was issued on compliance for major programs.
- f. Audit findings required to be reported under Section .510 (a) of OMB Circular A-133 are listed below as Findings Number 2008-01, 2008-02 and 2008-03.
- g. Programs treated as major programs for this audit were:

<u>Name</u>	<u>CFDA Number</u>
Title I Programs - Local	
Education Agencies	84.010
Special Education Cluster:	
Special Education - State Grants	84.027
Special Education - Preschool Grants	84.173
Special Education - Grants for Infants	
And Families with Disabilities	84.181

- h. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i. The entity was not qualified as a low risk auditee as described in Section .530 of OMB Circular A-133.

PIERRE SCHOOL DISTRICT No. 32-2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008

2. FINANCIAL STATEMENT FINDINGS

FINDING NUMBER 2008-01:

A significant deficiency and material weakness is present due to a lack of segregation of duties in revenue, expenditure and payroll functions.

CRITERIA: To obtain adequate internal control, the duties of collecting and handling of cash must be segregated from the recording of cash transactions. The duties of preparing, mailing or otherwise distributing checks should be segregated from the recording process. Various other accounting functions should be performed by different people to insure a proper segregation of duties.

POSSIBLE ASSERTED EFFECT: Inaccurate financial statements and/or misappropriation of funds could result from a lack of segregation of duties.

RECOMMENDATION: Management should remain aware of this situation and attempt to provide compensating controls wherever and whenever possible and practical.

SCHOOL DISTRICT RESPONSE: The School District agrees with this comment. The School Board and Superintendent are responsible for the corrective action plan for this comment. This comment is a result of the size of the Pierre School District No. 32-2 which precludes staffing at a level sufficient to provide an ideal environment for internal controls. The Pierre School District has determined it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties for revenue, expenditures and payroll. The Pierre School District is aware of this problem and is attempting to provide compensating controls wherever and whenever possible and practical. However, this lack of segregation of duties regarding the revenues, expenditures and payroll functions continues to exist.

PIERRE SCHOOL DISTRICT No. 32-2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008

FINDING NUMBER 2008-02:

School District bank statements were not properly reconciled to the general ledger during the last three months of fiscal year 2008.

CRITERIA: Sound bookkeeping procedures include a monthly reconciliation of cash asset control accounts in the general ledger to actual cash assets such as bank statements and lists of certificates of deposit. These procedures were attempted on a monthly basis, but were not accomplished.

POSSIBLE ASSERTED EFFECT: Inaccurate reporting and/or misappropriation of funds could result from this condition.

RECOMMENDATION: The general ledger cash control accounts should be properly reconciled to bank statements and actual assets on a monthly basis.

MANAGEMENT RESPONSE: Management agrees with this comment and will insure that cash is properly reconciled in the future. Staff will be further trained and supervised more extensively by management.

3. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING NUMBER 2008-03

A material weakness in internal control over federal programs exists due to a lack of segregation of duties. See Finding Number 2008-01 above for further explanation.

Major Federal Programs Affected: See 1 g above. All programs treated as majors were affected.

Compliance requirements affected: Allowable costs/cost principles.

POSSIBLE ASSERTED EFFECT: Inaccurate financial statements and/or misappropriation of funds could result from a lack of segregation of duties.

PIERRE SCHOOL DISTRICT No. 32-2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008

RECOMMENDATION: Management should remain aware of this situation and attempt to provide compensating control wherever and whenever possible and practical.

SCHOOL DISTRICT RESPONSE: The School District agrees with this comment. The School Board and Superintendent are responsible for the corrective action plan for this comment. This comment is a result of the size of the Pierre School District No. 32-2 which precludes staffing at a level sufficient to provide an ideal environment for internal controls. The Pierre School District has determined it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties for revenue, expenditures and payroll. The Pierre School District is aware of this problem and is attempting to provide compensating controls wherever and whenever possible and practical. However, this lack of segregation of duties regarding the revenues, expenditures and payroll functions continues to exist.

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INDEPENDENT AUDITOR'S REPORT

School Board
Pierre School District No. 32-2
Hughes County, South Dakota

I have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund, and the aggregate remaining fund information of Pierre School District No. 32-2, Hughes County, South Dakota, as of June 30, 2008, and for the fiscal year then ended, which collectively comprise the School District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of Pierre School District's management. My responsibility is to express opinions on these financial statements based on my audit.

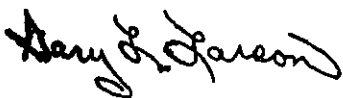
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, I do not express such an opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Pierre School District No. 32-2 as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued a report dated November 13, 2008 on my consideration of Pierre School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be considered in assessing the results of my audit.

The Pierre School District No. 32-2 has not presented the Management's Discussion and Analysis (MD&A) and Budgetary Comparison Schedules for the General and Special Revenue Funds that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

My audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Pierre School District No. 32-2 basic financial statements taken as a whole. The Schedule of Expenditures of Federal Awards which is required by U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-profit Organizations is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.



November 13, 2008

PIERRE SCHOOL DISTRICT NO. 32-2
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and cash equivalents	\$6,148,591	\$338,153	\$6,486,744
Taxes receivable	4,652,278	0	4,652,278
Other receivables	373,797	0	373,797
Inventories	53,244	44,091	97,335
Deferred charges	83,989	0	83,989
Internal balances	100,000	(100,000)	0
Restricted Assets:			
Investments	13,539,838	0	13,539,838
Capital Assets:			
Land	296,363	0	296,363
Other capital assets, net of depreciation	29,119,739	214,241	29,333,980
TOTAL ASSETS	\$54,367,839	\$496,485	\$54,864,324
LIABILITIES:			
Accounts payable	\$249,129	\$0	\$249,129
Accrued interest payable	593,815	0	593,815
Other current liabilities	1,324,469	16,931	1,341,400
Deferred revenue	4,681,420	17,860	4,699,280
Noncurrent Liabilities:			
Due within one year	1,385,650	14,587	1,400,237
Due in more than one year	31,016,644	14,586	31,031,230
TOTAL LIABILITIES	39,251,127	63,964	39,315,091
NET ASSETS:			
Invested in capital assets, net of related debt	10,786,940	214,241	11,001,181
Restricted For:			
Capital outlay	1,339,282	0	1,339,282
Special education	48,698	0	48,698
Pension	11,440	0	11,440
Debt service	490,799	0	490,799
Food service	0	218,280	218,280
Unrestricted	2,439,553	0	2,439,553
TOTAL NET ASSETS	15,116,712	432,521	15,549,233
TOTAL LIABILITIES AND NET ASSETS	\$54,367,839	\$496,485	\$54,864,324

The accompanying notes to financial statements are an integral part of this statement.

PIERRE SCHOOL DISTRICT NO. 32-2
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenses	PROGRAM REVENUES	
		Charges for Services	Operating Grants and Contributions
Governmental Activities:			
Instruction	\$12,692,788	\$0	\$2,310,951
Support services	6,080,989	29,960	126,015
Nonprogrammed charges	287,768	0	0
Interest on long-term debt *	1,135,929	0	0
Cocurricular activities	644,382	110,222	0
Total Governmental Activities	20,841,856	140,182	2,436,966
Business-type Activities:			
Food service	1,074,947	629,132	361,001
TOTAL	\$21,916,803	\$769,314	\$2,797,967

* The school district does not have interest expense related to the functions presented above. The amount represents indirect interest on general long-term debt.

GENERAL REVENUES:
Property taxes
Gross receipt taxes
State aid
Revenue from federal sources
Unrestricted investment earnings
Other general revenues

Total general revenues

Change in net assets

Net Assets-beginning

NET ASSETS-ending

The accompanying notes to financial statements are an integral part of this statement.

NET (EXPENSE) REVENUE AND
CHANGES IN NET ASSETS

Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
\$375,892	(\$10,381,837)	\$0	(\$10,381,837)
0	(5,549,122)	0	(5,549,122)
0	(287,768)	0	(287,768)
0	(1,131,929)	0	(1,131,929)
0	(534,160)	0	(534,160)
375,892	(17,884,816)	0	(17,884,816)
0	0	(84,814)	(84,814)
\$375,892	(17,884,816)	(84,814)	(17,969,630)
	9,317,486	0	9,317,486
	122,593	0	122,593
	7,593,579	0	7,593,579
	474,427	0	474,427
	247,956	4,004	251,960
	345,770	0	345,770
	18,101,811	4,004	18,105,815
	216,995	(80,810)	136,185
	14,899,717	513,331	15,413,048
	\$15,116,712	\$432,521	\$15,549,233

PIERRE SCHOOL DISTRICT NO. 32-2
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General Fund	Capital Outlay Fund	Special Education Fund
ASSETS:			
Cash and cash equivalents	\$2,786,554	\$1,712,243	\$200,052
Taxes receivable-current	2,202,554	1,164,531	544,883
Taxes receivable-delinquent	61,645	24,876	11,611
Accounts receivable	48,326	5,204	0
Due from other governments	262,415	0	54,275
Due from Food Service Fund	100,000	0	0
Supply inventory	53,244	0	0
Restricted investments	0	3,915,026	0
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	<u>\$5,514,738</u>	<u>\$6,821,880</u>	<u>\$810,821</u>

The accompanying notes to financial statements are an integral part of this statement

Pension Fund	Impact Aid Fund	2000 General Obligation Bond Fund	Total Governmental Funds
\$13,193	\$668,448	\$768,101	\$6,148,591
116,428	0	510,100	4,538,496
2,487	0	13,163	113,782
0	0	3,577	57,107
0	0	0	316,690
0	0	0	100,000
0	0	0	53,244
	0	9,624,812	13,539,838
<u>\$132,108</u>	<u>\$668,448</u>	<u>\$10,919,753</u>	<u>\$24,867,748</u>

PIERRE SCHOOL DISTRICT NO. 32-2
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General Fund	Capital Outlay Fund	Special Education Fund
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$60,723	\$179,774	\$8,632
Contracts payable	894,340	0	139,414
Payroll deductions and withholding and employer matching payable	239,753	0	50,962
Deferred revenue	2,346,319	1,231,549	574,726
TOTAL LIABILITIES	<u>3,541,135</u>	<u>1,411,323</u>	<u>773,734</u>
 Fund balances:			
Reserved:			
Reserve for inventory	53,244	0	0
Reserved for Debt Service	0	3,915,026	0
Unreserved:			
Designated for net year's budget	0	294,732	0
Undesignated	1,920,359	1,200,799	37,087
TOTAL FUND BALANCE	<u>1,973,603</u>	<u>5,410,557</u>	<u>37,087</u>
 TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$5,514,738</u></u>	<u><u>\$6,821,880</u></u>	<u><u>\$810,821</u></u>

The accompanying notes to financial statements are an integral part of this statement

Pension Fund	Impact Aid Fund	2000 General Obligation Bond Fund	Total Governmental Funds
\$0	\$0	\$0	\$249,129
0	0	0	1,033,754
0	0	0	290,715
123,155	0	519,453	4,795,202
123,155	0	519,453	6,368,800
0	0	0	53,244
0	0	9,624,812	13,539,838
0	0	0	294,732
8,953	668,448	775,488	4,611,134
8,953	668,448	10,400,300	18,498,948
\$132,108	\$668,448	\$10,919,753	\$24,867,748

PIERRE SCHOOL DISTRICT NO. 32-2
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

Total Fund Balances-Government Funds	\$18,498,948
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	29,416,102
Assets such as taxes receivable (delinquent) are not available to pay for current period expenditures and therefore are deferred in the funds	113,782
Long-term liabilities, including general obligation bonds, capital outlay certificates payable accrued leave payable and early retirement are not due and payable in the current period and therefore are not reported in the funds.	(32,402,294)
Deferred charges such as bond costs of insurance are accounted for as assets in the statement of net assets, but are expensed when paid in the funds statement.	83,989
Accrued interest payable is not accounted for in the governmental funds but is reported in the statement of net assets.	<u>(593,815)</u>
Net Assets-Governmental Funds	<u><u>\$15,116,712</u></u>

The accompanying notes to financial statements are an integral part of this statement

PIERRE SCHOOL DISTRICT NO. 32-2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	General Fund	Capital Outlay Fund	Special Education Fund
Revenues:			
Revenues from Local Sources:			
Taxes:			
Ad valorem taxes	\$4,567,247	\$2,297,269	\$1,075,062
Prior year's ad valorem taxes	30,575	14,021	6,544
Gross receipts taxes	122,593	0	0
Penalties and interest	11,178	4,750	2,280
Earnings on deposits:			
Interest earned	42,084	187,536	675
Cocurricular activities:			
Admissions	91,245	0	0
Other	18,977	0	0
Other revenues from local sources:			
Rentals	29,960	0	0
Contributions	18,563	70,014	0
Other	92,865	3,950	11,622
Revenues from Intermediate Sources:			
County Sources:			
County apportionment	236,843	0	0
Revenues from State Sources:			
Grants-in-aid:			
Unrestricted grants-in-aid	7,593,579	0	0
Restricted grants-in-aid	126,015	119,330	677,285
Other	490	0	0
Revenues from Federal Sources:			
Grants-in-aid:			
Unrestricted grants-in-aid received directly from government	0	0	0
Restricted grants-in-aid received directly from federal government	79,255	0	0
Restricted grants-in-aid received from federal government through state	916,573	0	632,666
Other	5,172	0	0
Total Revenue	<u>\$13,983,214</u>	<u>\$2,696,870</u>	<u>\$2,406,134</u>

The accompanying notes to financial statements are an integral part of this statement.

Pension Fund	Impact Aid Fund	2000 General Obligation Bond Fund	Total Governmental Funds
\$229,676	\$0	\$1,064,800	\$9,234,054
1,402	0	6,834	59,376
0	0	0	122,593
489	0	2,428	21,125
1,895	8,406	7,360	247,956
0	0	0	91,245
0	0	0	18,977
0	0	0	29,960
0	0	0	88,577
0	0	0	108,437
0	0	0	236,843
0	0	0	7,593,579
0	0	0	922,630
0	0	0	490
0	474,427	0	474,427
0	0	0	79,255
0	0	0	1,549,239
0	0	0	5,172
\$233,462	\$482,833	\$1,081,422	\$20,883,935

PIERRE SCHOOL DISTRICT NO. 32-2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	General Fund	Capital Outlay Fund	Special Education Fund
Expenditures:			
Instruction:			
Regular Programs:			
Elementary	\$3,166,836	\$171,019	\$0
Middle school	1,624,773	89,860	0
High school	2,352,641	1,446,833	0
Other	308,088	105,757	0
Special Programs:			
Programs for special education	0	0	1,614,254
Culturally different	79,241	0	0
Educationally deprived	388,299	0	0
Other	272,232	0	0
Support Services:			
Pupils-			
Attendance and social work	43,594	0	0
Guidance	476,752	0	0
Health service	83,654	0	0
Psychological	0	0	91,196
Speech pathology	0	0	240,374
Audiology	0	0	9,455
Student therapy	0	0	248,353
Instructional staff-			
Improvement of instruction	444,779	0	0
Educational media	164,177	1,586	0
General administration-			
Board of education	118,426	0	0
Executive administration	208,630	0	0
School administration-			
Office of principal	861,505	0	0
Other	34,021	0	0
Business-			
Fiscal services	237,231	1,685	0
Operation and maintenance of plant	2,036,552	206,834	0
Pupil transportation	57,503	38,719	0
Other	0	22,897	0

The accompanying notes to financial statements are an integral part of this statement.

Pension Fund	Impact Aid Fund	2000 General Obligation Bond Fund	Total Governmental Funds
\$25,119	\$0	\$0	\$3,362,974
65,786	0	0	1,780,419
95,580	0	0	3,895,054
0	0	0	413,845
0	0	0	1,614,254
	0		79,241
0	0	0	388,299
0	0	0	272,232
0	0	0	43,594
0	0	0	476,752
0	0	0	83,654
0	0	0	91,196
0	0	0	240,374
0	0	0	9,455
0	0	0	248,353
0	0	0	444,779
0	0	0	165,763
0	0	0	118,426
0	0	0	208,630
36,929	0	0	898,434
0	0	0	34,021
9,567	0	0	248,483
0	0	0	2,243,386
0	0	0	96,222
0	0	0	22,897

PIERRE SCHOOL DISTRICT NO. 32-2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	General Fund	Capital Outlay Fund	Special Education Fund
Central:			
Staff	\$14,096	\$0	\$0
Special Education:			
Administration costs	0	0	136,947
Transportation costs	0	0	105,138
Other	0	1,521	0
Non-programmed Charges:			
Early retirement payments	363,987	0	0
Debt Service	0	1,192,228	0
Cocurricular activities:			
Male activities	156,764	0	0
Female activities	134,024	0	0
Transportation	77,825	0	0
Combined activities	235,559	11,487	0
Capital outlay	0	490,476	0
 Total Expenditures	 <u>13,941,189</u>	 <u>3,780,902</u>	 <u>2,445,717</u>
 Excess of Revenues over (under) Expenditures	 42,025	 (1,084,032)	 (39,583)
Other Financing Sources (Uses):			
Transfers-in	19,634	0	0
Transfers-out	0	0	0
General long-term debt issued	0	1,261,184	0
 Net Change in Fund Balances	 61,659	 177,152	 (39,583)
 FUND BALANCE, JULY 1, 2007	 <u>1,911,944</u>	 <u>5,233,405</u>	 <u>76,670</u>
 FUND BALANCE, JUNE 30, 2008	 <u><u>\$1,973,603</u></u>	 <u><u>\$5,410,557</u></u>	 <u><u>\$37,087</u></u>

The accompanying notes to financial statements are an integral part of this statement.

Pension Fund	Impact Aid Fund	2000 General Obligation Bond Fund	Total Governmental Funds
\$0	\$0	\$0	\$14,096
0	0	0	136,947
0	0	0	105,138
0	0	0	1,521
0	0	0	363,987
0	0	1,090,301	2,282,529
0	0	0	156,764
0	0	0	134,024
0	0	0	77,825
0	0	0	247,046
0	0	0	490,476
232,981	0	1,090,301	21,491,090
481	482,833	(8,879)	(607,155)
0	0	0	19,634
0	(19,634)	0	(19,634)
0	0	0	1,261,184
481	463,199	(8,879)	654,029
8,472	205,249	10,409,179	17,844,919
\$8,953	\$668,448	\$10,400,300	\$18,498,948

PIERRE SCHOOL DISTRICT NO. 32-2
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Net Changes in Fund Balances-Total Governmental Funds \$654,029

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(547,886)
The statement of activities reports the donation of capital assets; whereas the funds statement reports only the purchase of capital assets.	167,985
In both the government-wide and fund financial statements, revenues from property tax levies are applied to finance the budget of a particular period. Accounting for revenues from property tax accruals in the funds' statements differs from the accounting in the government wide statements in that the fund financial statements require the amounts to be "available". This amount reflects the application of both the application period and "availability criteria".	2,931
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	1,144,357
The funds statement reports the proceeds of long-term debt as a source of funds, whereas the statement of activities reports this as a liability	(1,261,184)
Deferred charges such as bond costs of issuance are accounted for as assets in the Statement of Net Assets, but are expensed when paid in the funds statement.	(6,461)
Governmental funds do not reflect the change in accrued leave or early retirement payable, but the statement of activities reflects these changes through expenditures.	50,520
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds, such as accrued interest payable.	12,704

Change in Net Assets of Governmental Activities	<u>\$216,995</u>
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The accompanying notes to financial statements are an integral part of this statement

PIERRE SCHOOL DISTRICT NO. 32-2
BALANCE SHEET-PROPRIETARY FUNDS
JUNE 30, 2008

	ENTERPRISE FUNDS
	Food Service Fund
ASSETS:	
Current Assets:	
Cash and cash equivalents	\$338,153
Inventory of supplies	3,597
Inventory of stores purchased for resale	11,820
Inventory of donated food	28,674
Total Current Assets	<u>382,244</u>
Noncurrent Assets:	
Capital Assets:	
Machinery and equipment	473,198
Accumulated depreciation	(258,957)
Total Noncurrent Assets	<u>214,241</u>
TOTAL ASSETS	<u><u>\$596,485</u></u>
LIABILITIES:	
Current Liabilities:	
Due to general fund	\$100,000
Payroll deductions and withholdings and employer matching payable	16,931
Deferred revenue	17,860
Total Current Liabilities	<u>134,791</u>
Noncurrent Liabilities:	
Accrued leave payable	<u>29,173</u>
NET ASSETS:	
Invested in capital assets	214,241
Unrestricted net assets	218,280
Total Net Assets	<u>432,521</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$596,485</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

PIERRE SCHOOL DISTRICT NO. 32-2
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	ENTERPRISE FUNDS
	Food Service Fund
Operating Revenue:	
Sales:	
To pupils	\$479,664
To adults	13,071
Ala carte	136,397
Total Operating Revenue	<u>629,132</u>
Operating Expenses:	
Food services:	
Salaries	363,605
Employee benefits	112,266
Purchased services	11,729
Supplies	45,933
Cost of sales-purchased food	443,184
Cost of sales-donated food	53,305
Miscellaneous	16,405
Depreciation	28,520
Total Operating Expenses	<u>1,074,947</u>
Operating Income (Loss)	<u>(445,815)</u>
Nonoperating Revenue (Expense):	
Local Sources:	
Investment earnings	4,004
State Sources:	
Cash reimbursements	6,010
Federal Sources:	
Cash reimbursements	290,136
Donated food	64,855
Total Nonoperating Revenue	<u>365,005</u>
Change in Net Assets	<u>(80,810)</u>
Net Assets-beginning	<u>513,331</u>
NET ASSETS-ending	<u><u>\$432,521</u></u>

The accompanying notes to financial statements are an integral part of this statement.

PIERRE SCHOOL DISTRICT NO. 32-2
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	ENTERPRISE FUNDS
	Food Service Fund
Cash Flows from Operating Activities:	
Receipts from customers	\$633,322
Payments to suppliers	(519,862)
Payments to employees	(456,137)
Net Cash Provided (Used) by Operating Activities	(342,677)
Cash Flows from Noncapital Financing Activities:	
Operating subsidies	296,146
Loan from general fund	100,000
Cash Flows from Capital Financing Activities:	
Purchase of equipment	(2,719)
Cash Flows from Investing Activities:	
Interest received	4,004
Net Increase in Cash and Cash Equivalents	54,754
Cash and Cash Equivalents at Beginning of Year	283,399
Cash and Cash Equivalents at End of Year	338,153
Net Increase in Cash and Cash Equivalents	\$54,754

The accompanying notes to financial statements are an integral part of this statement.

PIERRE SCHOOL DISTRICT NO. 32-2
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET
CASH PROVIDED (USED) BY OPERATING ACTIVITIES:

Operating Income (Loss)	(\$445,815)
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Adjustments to Reconcile Operating Income to
Net Cash Provided (Used) by Operating Activities:

Depreciation expense	28,520
Commodities used	53,305

Changes in Assets and Liabilities:

Deferred revenue	4,190
Inventories	(916)
Accounts and other payables	6,566
Accrued leave payable	11,473

Net Cash Provided (Used) by Operating Activities	<u><u>(\$342,677)</u></u>
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Noncash Investing, Capital and Financing Activities:

Value of commodities received	<u><u>\$64,855</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

PIERRE SCHOOL DISTRICT NO. 32-2
STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
JUNE 30, 2008

	Private-purpose Trust Funds	Agency Funds
ASSETS:		
Cash and cash equivalents	\$23,838	\$116,469
Investments	455,282	0
	<hr/>	<hr/>
Total Assets	<u>\$479,120</u>	<u>\$116,469</u>
LIABILITIES:		
Amounts held for others	\$0	\$116,469
	<hr/>	<hr/>
Total Liabilities	\$0	\$116,469
NET ASSETS:		
Held in trust for scholarships	479,120	0
	<hr/>	<hr/>
Total Liabilities and Net Assets	<u>\$479,120</u>	<u>\$116,469</u>

The accompanying notes to financial statements are an integral part of this statement.

PIERRE SCHOOL DISTRICT NO. 32-2
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
FOR YEAR ENDED JUNE 30, 2008

	<u>Private-purpose Trust Funds</u>
ADDITIONS:	
Earnings on investments and deposits	<u>\$21,398</u>
Total Additions	<u>21,398</u>
DEDUCTIONS:	
Trust deductions for scholarships	<u>22,610</u>
Total Deductions	<u>22,610</u>
Change in Net Assets	(1,212)
Net Assets-beginning	<u>480,332</u>
NET ASSETS-ending	<u><u>\$479,120</u></u>

The accompanying notes to financial statements are an integral part of this statement.

PIERRE SCHOOL DISTRICT NO. 32-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the School District conform to generally accepted accounting principles applicable to government entities in the United States of America.

a. Financial Reporting Entity:

The reporting entity of Pierre School District No. 32-2 consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organization for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

b. Basis of Presentation:

Government-wide Statements: The Statement of Net Assets and the Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity, except for fiduciary funds. These statements distinguish between the *governmental and business-type activities* of the School District. Governmental activities generally are financed through taxes, intergovernmental resources, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Net Assets reports all financial and capital resources, in a net assets form (assets minus liabilities equal net assets). Net assets are displayed in three components, as applicable, invested

PIERRE SCHOOL DISTRICT NO. 32-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

in capital assets net of related debt, restricted (distinguishing between major categories of restrictions), and unrestricted.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statement:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the School District or it meets the following criteria:

1. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and

PIERRE SCHOOL DISTRICT NO. 32-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

The funds of the School District financial reporting entity are described below within their respective fund types:

Governmental Funds:

GENERAL FUND - A fund established by South Dakota Codified Laws (SDCL) 13-16-3 to meet all the general operational costs of the school district, excluding capital outlay fund and special education fund expenditures. The general Fund is always a major fund.

SPECIAL REVENUE FUND TYPES - special revenue funds are used account for the proceeds of specific revenue sources that are legally restricted to expenditures for special purposes.

Capital Outlay Fund - A fund established by SDCL 13-16-6 to meet expenditures which result in the lease of, acquisition of or additions to real property, plant or equipment, textbooks and instructional software. The fund is financed by property taxes. This is a major fund.

Special Education Fund - A fund established by SDCL 13-37-16 to pay the costs for the special education of all children in need of special assistance and prolonged assistance who reside within the district. This fund is financed by grants and property taxes. This is a major fund.

PIERRE SCHOOL DISTRICT NO. 32-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pension Fund - A fund established by SDCL 13-10-6 for the purpose of accumulating funds and making payments to the South Dakota Retirement System and for early retirement incentive payments. This fund is primarily financed by property taxes. This is a major fund.

Impact Aid Fund - A fund established by SDCL 13-16-30 and SDCL 13-16-31 to account for funds received through federal P.L. 103-382, Title VIII. Expenditures cannot be made directly from this fund but transfers out to other school district funds shall be made at the direction of the school board. This is a major fund.

DEBT SERVICE FUND TYPES - debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

The 2000 General Obligation Bond - A fund established by SDCL 13-16-13 to account for the proceeds of a special property tax restricted to use for the payment of principal and interest on general obligation bonded debt. This is a major fund.

PROPRIETARY FUNDS:

Enterprise Fund Types - enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expense incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

PIERRE SCHOOL DISTRICT NO. 32-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Food Service Fund - A fund used to record financial transactions related to food service operations. This fund is financed by user charges and grants. This is a major fund.

Fiduciary Funds:

Fiduciary Funds are never considered to be major funds.

Private-Purpose Trust Funds - private purpose trust funds are used to account for trust arrangements under which principle and income benefit individuals, private organizations or other governments. The school district maintains the following private-purpose trust funds, which are used for the purpose of providing scholarships to students and to help fund students to attend summer camps:

- A.A. Thompson Scholarship Fund
- Richard Bruhn Jr. High Memorial Summer Camp Fund
- Sooper Dooper Scholarship Fund
- Vanhise Scholarship Fund
- Scurr Memorial Scholarship Fund

Agency Fund Types - agency funds are used to account for resources held by the school district in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of results of operations. The District maintains agency funds for the following purposes:

Student clubs and organizations such as "FFA" and "Student Council"

PIERRE SCHOOL DISTRICT NO. 32-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Measurement of Focus and Basis of Accounting:

Measurement of focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement of focus.

Measurement Focus:

Government-wide Financial Statements:

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

Fund Financial Statements:

In the fund financial statements, the "current financial resources" measurement focus and the modified accrual basis of accounting are applied to governmental fund types, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary funds.

Basis of Accounting:

Government-wide Financial Statements:

In the government-wide Statement of Net Assets and Statement of Activities, governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets generally are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

PIERRE SCHOOL DISTRICT NO. 32-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Pierre School District No. 32-2, the length of that cycle is 60 days. Revenues accrued at June 30, 2008 are federal reimbursement grants and miscellaneous other revenues.

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

Expenditures generally are recognized when the related fund liability is incurred. Exceptions to this general rule include principle and interest on general long-term debt which are recognized when due.

All proprietary and fiduciary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

The business-type activities and enterprise funds do not apply any FASB Statements and interpretations issued after November 30, 1989.

PIERRE SCHOOL DISTRICT NO. 32-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Interfund Eliminations and Reclassifications:

Government-wide Financial Statements:

In the process of aggregating data for the government-wide statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified, as follows:

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payable have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances.
2. In order to minimize the doubling-up effect on internal service fund activity, certain "centralized expenses" are charged as direct expenses to funds or programs in order to show all expenses that are associated with a service, program, department, department or fund. When expenses are charged, in this manner, expense reductions occur in the general fund so that expenses are reported only in the function to which they relate.

Fund Financial Statements:

Noncurrent portions of long-term interfund receivables (reported in "Advance to" asset accounts) are equally offset by a fund balance reserve account which indicated that they do not constitute "available spendable resources" since they are not a component of net current assets. Current portions of interfund receivables (reported in "Due from asset accounts) are considered "available spendable resources."

PIERRE SCHOOL DISTRICT NO. 32-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e. Capital Assets:

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements:

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated.

Interest costs incurred during construction of general capital assets are not capitalized along with other capital asset costs.

The total June 30, 2008 balance of capital assets for governmental activities includes approximately one percent for which the costs were determined by estimates of the original costs. The total June 30, 2008 balance of capital assets for business-type activities are all valued at original cost. These estimated original costs were established by reviewing applicable historical costs and basing the estimations thereon.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Assets. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset

PIERRE SCHOOL DISTRICT NO. 32-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

accounts), depreciation methods and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	\$ All -	N/A	N/A
Improvements	25,000	Straight-line	15-50 years
Buildings	25,000	Straight-line	15-50 years
Machinery and Equipment-			
General	3,000	Straight-line	4-20 years
Food service	500	Straight-line	4-20 years

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements:

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the appropriate government fund upon acquisition. Capital assets used in proprietary fund operations are accounting for on the accrual basis, the same as in the government-wide statements.

f. Long-term Liabilities:

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operation and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of General Obligation Bonds and Capital Outlay Certificates, early retirement benefits payable and compensated absences.

PIERRE SCHOOL DISTRICT NO. 32-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In the fund financial statements, debt proceeds are reported as revenues (other financing resources), while payments of principle and interest are reported as expenditures when they become due. The accounting for proprietary fund long-term debt is on the accrual basis, the same in the fund statements as in the government-wide statements.

g. Program Revenues:

In the Government-wide Statement of Activities, reported program revenues derive directly from the program itself or from parties other than the district's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

1. Charges for services - These arise from charges to customers, applicants, or others who purchase, use or directly benefit from the goods, services or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations or individuals that are restricted for the acquisition of capital assets for use in a particular program.

h. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Activities, revenues and expenses are classified in a manner consistent with how they are classified in the

PIERRE SCHOOL DISTRICT NO. 32-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expense.

i. Cash and Cash Equivalents:

For the purpose of the Statement of Cash Flows, the school district considers all highly liquid investments and deposits with a term to maturity of three months or less when purchased to be cash equivalents.

j. Equity Classifications:

Government-wide Statements:

Equity is classified as net assets and is displayed in three components:

1. Invested in capital assets, net of related debt, - Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
2. Restricted net assets - Consists of net assets with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

PIERRE SCHOOL DISTRICT NO. 32-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between "Reserved" and "Unreserved" components. Proprietary fund equity is classified it the same as in the government-wide financial statements.

k. Application of Net Assets:

It is the School District's policy to first use restricted net assets, prior to the use of unrestricted net assets, when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

2. DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

The school district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. These restrictions are summarized below:

Deposits - The school district's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1 and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

PIERRE SCHOOL DISTRICT NO. 32-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

2. DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK (continued)

Investments - In general, SDCL 4-5-6 permits school funds to be invested in (a) securities of the United States and Securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a); or in shares of an open-ended, no-load fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). Also, SDCL 4-5-9 requires that investments shall be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

Credit Risk - State law limits eligible investments for the School District, as discussed above. The School District has no investment policy that would further limit its investment choices.

As of June 30, 2008, the School District had the following investments:

<u>Investment</u>	<u>Fund</u>	<u>Credit Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
U.S. Treasury SLG's	Capital			
	Outlay	N/A	1/15/11	\$ 3,915,026
U.S. Treasury SLG's	2000			
	G.O.			
	Bond	N/A	8/1/10	<u>9,624,812</u>
TOTAL INVESTMENTS				<u>\$13,539,838</u>

The above investments are restricted for the purpose of debt retirement. See also Note 7.

Interest Rate Risk - The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

PIERRE SCHOOL DISTRICT NO. 32-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

2. DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK (continued)

Concentration of Credit Risk - The School District places no limit on the amount that may be invested in any one issuer.

Assignment of Investment Income - State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The School District's policy is to credit all income from investments to the fund making the investment.

3. RECEIVABLES AND PAYABLES

Neither receivables nor payables are aggregated in these financial statements. The district expects all receivables to be collected within one year. No allowances for estimated uncollectibles have been established.

4. INVENTORY

Inventory is stated at the lower of cost or market. The cost valuation method is first-in, first-out. Donated commodities are valued at estimated market value based on the USDA price list at date of receipt.

In the government-wide financial statements, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed.

In the fund financial statements, inventories in the General Fund consist of expendable supplies held for consumption. They are recorded as an asset when purchased. The cost is recorded as an expenditure at the time individual inventory items are consumed. Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

PIERRE SCHOOL DISTRICT NO. 32-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

5. PROPERTY TAX

Property taxes are levied on or before each October 1, and attach as an enforceable lien on property, and become due and payable as of the following January 1, and are payable in two installments on or before the following April 30th and October 31st. The county bills and collects the School District's taxes and remits them to the School District.

School district property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is not intended to be used to finance the current year's appropriations and therefore are not susceptible to accrual has been reported as deferred revenue in both the fund financial statements and the government-wide financial statements. Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the "availability period."

6. CHANGES IN CAPITAL ASSETS

A summary of the changes in capital assets for the year ended June 30, 2008 is as follows:

	Balance <u>7/01/07</u>	<u>Increase</u>	<u>Decrease</u>	Balance <u>06/30/08</u>
Government Activities:				
Capital assets not being depreciated				
Land	\$ 296,363	\$ -	\$ -	\$ 296,363
Capital assets being depreciated				
Buildings	37,715,491	-	-	37,715,491
Improvements	1,037,979	158,422	-	1,196,401

PIERRE SCHOOL DISTRICT NO. 32-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

6. CHANGES IN CAPITAL ASSETS (continued)

	Balance <u>7/01/07</u>	<u>Increase</u>	<u>Decrease</u>	Balance <u>06/30/08</u>
Machinery and Equipment	\$ 2,651,031	\$ 500,039	\$ -	\$ 3,151,070
Total	<u>41,404,501</u>	<u>658,461</u>	<u>-</u>	<u>42,062,962</u>
Less accumulated Depreciation:				
Buildings	9,815,601	768,354	-	10,583,955
Improvements	574,383	32,878	-	607,261
Machinery and Equipment	<u>1,514,877</u>	<u>237,130</u>	<u>-</u>	<u>1,752,007</u>
Total	<u>11,904,861</u>	<u>1,038,362</u>	<u>-</u>	<u>12,943,223</u>
Total capital assets being depreciated, net:	<u>29,499,640</u>	<u>(379,901)</u>	<u>-</u>	<u>29,117,439</u>
Governmental activity capital assets, net:	<u>\$29,796,003</u>	<u>\$ (379,901)</u>	<u>\$ -</u>	<u>\$29,416,102</u>
Business-type activities:				
Capital assets being depreciated:				
Machinery and Equipment	\$ 470,479	\$ 2,719	\$ -	\$ 473,198
Less accumulated Depreciation	<u>(230,437)</u>	<u>28,520</u>	<u>-</u>	<u>(258,957)</u>
Business-type capital assets, net	<u>\$ 240,042</u>	<u>\$ (25,801)</u>	<u>\$ -</u>	<u>\$ 214,241</u>

Depreciation expense was changed to functions as follows:

PIERRE SCHOOL DISTRICT NO. 32-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

6. CHANGES IN CAPITAL ASSETS (continued)

Governmental activities:

Instruction	\$ 886,470
Support Services	123,169
Cocurricular Activities	<u>28,723</u>
	<u>\$1,038,362</u>

Business-type activities:

Food service	<u>\$ 25,801</u>
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7. LONG-TERM LIABILITIES

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable:					
General					
Obligation \$21,880,000 \$	-	\$ 400,000		\$21,480,000	\$ 455,000
Capital					
Lease	- 1,261,184		438,870	822,314	400,475
Capital Outlay					
Certificates	<u>10,057,335</u>	<u>-</u>	<u>305,487</u>	<u>9,751,848</u>	<u>324,223</u>
Total Debt	31,937,335	1,261,184	1,144,357	32,054,162	1,179,698
Early Retirement Payable-					
Governmental					
Funds	218,623	287,768	363,987	142,404	103,088
Accrued Compensated					
Absences-					
Governmental					
Funds	<u>180,029</u>	<u>115,714</u>	<u>90,015</u>	<u>205,728</u>	<u>102,864</u>
Total Governmental					
Activities	<u>32,335,987</u>	<u>1,664,666</u>	<u>1,598,359</u>	<u>32,402,294</u>	<u>1,385,650</u>

PIERRE SCHOOL DISTRICT NO. 32-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

7. LONG-TERM LIABILITIES: (continued)

Business-type Activities:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Accrued Compensated Absences- Business-type Funds	<u>17,700</u>	<u>20,323</u>	<u>8,850</u>	<u>29,173</u>	<u>14,587</u>
Total Business-type Activities	<u>17,700</u>	<u>20,323</u>	<u>8,850</u>	<u>29,173</u>	<u>14,587</u>
TOTAL	<u><u>32,353,687</u></u>	<u><u>1,684,989</u></u>	<u><u>1,607,209</u></u>	<u><u>32,431,467</u></u>	<u><u>1,400,237</u></u>

In fiscal 2004 the School District issued \$9,995,000 of "Crossover Refunding Bonds". The entire proceeds were placed in an escrow account for the purpose of an "advance refunding" of \$9,505,000 of 2000 General Obligation Bonds. The escrow amount will also be used to pay interest on the new bonds until August 1, 2011. On August 1, 2011 the \$9,505,000 left on the 2000 bonds will be called and paid by the escrow account. The escrow account balance as of June 30, 2008 was \$9,624,812.

In fiscal 2005 the School District issued \$4,020,000 of "Crossover Capital Outlay Refunding Certificates". The entire proceeds of this issue was placed in an escrow account for the purpose of an "advance refunding" of \$3,920,000 of Series 2003 Capital Outlay Certificates, to occur January 15, 2012. As of June 30, 2008 this escrow account balance was \$3,915,026.

Liabilities payable at June 30, 2008 is comprised of the following:

General Obligation Bonds:

2000 General Obligation Bonds; average interest rate of 5.2%, maturing 8/1/11. These are being paid by the Debt Service Fund. \$11,485,000

2004 Crossover Refunding Bonds; average interest rate of 2.9%, maturing 8/1/20. These are paid by the Debt Service Fund, with interest only to 8/01/2011 and balance maturing 8/01/2020. 9,995,000

PIERRE SCHOOL DISTRICT NO. 32-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

7. LONG-TERM LIABILITIES: (continued)

TOTAL G. O. BONDS \$21,480,000

Capital Outlay Certificates:

Capital Outlay Certificates, Series 2001 with interest rates ranging from 4.0% to 5.1%, maturing in the remaining years ending 6/30/08 through 6/30/21. These are being paid by the Capital Outlay Fund. \$ 4,690,000

Capital Outlay Certificates:

Capital Outlay Certificates, Series 2003 with interest at the rate of 4.59%, maturing in the remaining years ending 6/30/08 through 6/30/13. These are being paid by the Capital Outlay Fund. 1,041,848

Capital Outlay (crossover) Refunding Certificates, Series 2005, interest ranging from 3.3% to 4.05%, depending on length to maturity of individual certificates. Matures 2021. These are to be paid by the Capital Outlay Fund. 4,020,000

TOTAL CAPITAL OUTLAY CERTIFICATES \$ 9,751,848

FINANCING (CAPITAL ACQUISITION) LEASE:

Computer equipment, due in annual installments of \$444,344, including 2.09% interest, matures June 15, 2010, payments to be made by the Capital Outlay Fund \$ 822,314

The purchase price at the commencement of the financing (capital acquisition) lease was:

PIERRE SCHOOL DISTRICT NO. 32-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

7. LONG-TERM LIABILITIES: (continued)

Principal	\$1,261,184
Interest	<u>71,848</u>
	<u>\$1,333,032</u>

Early Retirement Benefits:

Payments to qualified individuals electing early retirement to be paid in the years ending 6/30/08 through 6/30/10 from the General Fund. \$ 142,404

Compensated Absences:

Payments for vacation and sick leave paid from the General or Lunch Fund. \$ 234,901

GRAND TOTAL \$32,431,467

The annual requirements to amortize all debt outstanding as of June 30, 2008, excluding accrued leave follows:

Annual Requirements to Amortize Long-term Debt

Year Ending June 30,	June 30, 2008 General Obligation		Total
	Principal	Interest	
2009	\$ 455,000	\$ 991,131	\$ 1,446,131
2010	505,000	967,245	1,472,245
2011	1,020,000	858,615	1,878,615
2012	9,805,000	627,256	10,432,256
2013	805,000	348,418	1,153,418
2014 - 2018	4,965,000	1,271,405	6,236,405
2019 - 2023	<u>3,925,000</u>	<u>246,361</u>	<u>4,171,361</u>
Total	<u>\$21,480,000</u>	<u>\$5,310,431</u>	<u>\$26,790,431</u>

PIERRE SCHOOL DISTRICT NO. 32-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

7. LONG-TERM LIABILITIES: (continued)

Year Ending June 30,	Capital Outlay Certificates			Early Retirement Principal Only
	Principal	Interest	Total	
2009	\$ 324,223	\$ 426,848	\$ 751,071	\$103,088
2010	343,133	412,618	755,751	39,316
2011	367,225	393,306	760,531	-
2012	4,331,507	380,512	4,712,019	-
2013	1,015,760	171,476	1,187,236	-
2014 - 2018	1,945,000	479,398	2,424,398	-
2019 - 2023	1,425,000	88,125	1,513,125	-
Total	<u>\$ 9,751,848</u>	<u>\$2,352,283</u>	<u>\$12,104,131</u>	<u>\$142,404</u>

Year Ending June 30,	FINANCING (Capital Acquisition) Lease		
	Principal	Interest	Total
2009	\$ 400,475	\$ 43,869	\$ 444,344
2010	421,839	22,505	444,344
2011	-	-	-
2012	-	-	-
2013	-	-	-
2014 - 2018	-	-	-
2019 - 2023	-	-	-
Total	<u>\$ 822,314</u>	<u>\$ 66,374</u>	<u>\$ 888,688</u>

Year Ending June 30,	GRAND TOTAL		
	Principal	Interest	Total
2009	\$ 1,282,786	\$ 1,461,848	\$ 2,744,634
2010	1,309,288	1,402,368	2,711,656
2011	1,387,225	1,251,921	2,639,146
2012	14,136,507	1,007,768	15,144,275
2013	1,820,760	519,894	2,340,654
2014 - 2018	6,910,000	1,750,803	8,660,803
2019 - 2023	5,350,000	334,486	5,684,486
Total	<u>\$32,196,566</u>	<u>\$ 7,792,088</u>	<u>\$39,925,654</u>

PIERRE SCHOOL DISTRICT NO. 32-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

8. RESTRICTED NET ASSETS

The following table shows the net assets restricted for other purposes as shown on the Statement of Net Assets:

<u>Fund</u>	<u>Restricted By</u>	<u>Amount</u>
Debt Service	Debt covenants	\$ 490,799
Capital Outlay	Law	1,339,282
Special Education	Law	48,698
Pension	Law	11,440
Food Service	Federal regulations	<u>218,280</u>
Total Restricted Net Assets:		<u>\$2,108,499</u>

9. RETIREMENT PLAN

All employees, working more than 20 hours per week during the school year, participate in the South Dakota Retirement System (SDRS), a cost sharing, and multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, PO Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Covered employees are required by state statute to contribute the following percentages of their salary to the plan: Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social

PIERRE SCHOOL DISTRICT NO. 32-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

9. RETIREMENT PLAN (continued)

security for general employees only. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2008, 2007, and 2006 were \$643,295, \$629,561 and \$615,765 respectively, equal to the required contributions each year.

10. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2008, the school district managed its risks as follows:

Employee Health Insurance:

The school district joined the South Dakota School District Benefits Fund. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The school district pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members.

The school district does not carry additional health insurance coverage to pay claims in excess of this upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Liability Insurance:

The School District joined the Associated School Boards of South Dakota Property and Liability Fund (ASBSD-PLF), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota school districts. The objective of the ASBSD-PLF is to administer and provide risk management services and risk sharing facilities to members and to defend and protect the members

PIERRE SCHOOL DISTRICT NO. 32-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

10. RISK MANAGEMENT (continued)

against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The School District's responsibility is to promptly report to and cooperate with the ASBSD-PLF to resolve any incident which could result in a claim being made by or against the School District. The School District pays an annual premium, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the ASBSD-PLF member, based on their exposure or type of coverage. The school district pays an annual premium to the pool to provide coverage for property, general liability, professional liability, crime and boiler and machinery.

The agreement with the Associated School Boards of South Dakota Property Liability Fund provides that the above coverage's will be provided to a \$6,000,000 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$100,000 to the upper limit. The school district carries a \$1,000 deductible for boiler and machinery coverage and various deductibles for the other coverage.

The School District does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Worker's Compensation:

The school district participates, with several other educational units and related organizations in South Dakota, in the Associated School Boards of South Dakota Worker's Compensation Fund Pool which provided worker's compensation insurance coverage for participating members of the pool. The objective of the Fund is to formulate, develop and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control

PIERRE SCHOOL DISTRICT NO. 32-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

10. RISK MANAGEMENT (continued)

program. The School District's responsibility is to initiate and maintain a safety report and cooperate with the Fund to resolve any worker's compensation claims. The School District pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. The school district may also be responsible for additional assessments in the event the pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs. The pool provides loss coverage to all participants through pool retained risk retention and through insurance coverage purchased by the pool in excess of the retained risk. The pool pays the first \$500,000 of any claim per individual. The pool has reinsurance which covers up to \$1,000,000 per individual per incident.

The School District does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

Unemployment Benefits:

The School has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits.

During the year ended June 30, 2008, no claims for unemployment benefits was filed. At June 30, 2008, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

PIERRE SCHOOL DISTRICT NO. 32-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

11. RELATED ORGANIZATION

The Pierre School District No. 32-2 Educational Foundation was incorporated August 1, 1996 to promote the further educational development of Pierre School District No. 32-2 students, staff and graduates. The organization is a nonprofit corporation governed by seven trustees of which four are appointed by the Pierre School District No. 32-2.

The District does not control it since it takes a 2/3 vote of the trustees to delete an officer or trustee and the District does not approve the organization's financial decisions.

GASB Statement No. 39 requirements to report this entity as a component unit do not apply because:

- a. The economic resources received and held by the "Foundation" are not necessarily held for the direct benefit of the School District and may be directed elsewhere at the discretion of the trustees.
- b. The School District does not have the ability to access the economic resources received the "Foundation".
- c. Any resources received by the School District from this entity are not significant.

12. INDIVIDUAL FUND INTERFUND BALANCES AND TRANSACTIONS

Interfund receivable and payable balances as June 30, 2008 were:

<u>FUND</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$100,000	\$
Food Service Fund		100,000
	<u>\$100,000</u>	<u>\$100,000</u>

The above interfund balance was the result of a temporary loan from the General Fund to the Food Services Fund to supplement its cash flow needs.

The Impact Aid fund also transferred \$19,634 to the general Fund to supplement its operations.

PIERRE SCHOOL DISTRICT NO. 32-2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

13. EARLY RETIREMENT PLAN

Following is a description of the Early Retirement Plan:

Any teacher who has completed eleven years of service in the Pierre School District No. 32-2, and has attained or will attain at least the age of 55 as of December 31 of the year of retirement, may receive an early retirement benefit upon permanent severance of employment with the district. The benefit shall consist of the following:

Age at June 30 of Retirement Year	Percentage Factor *
55-62	75%

* Shall be applied to the teacher's last contracted salary exclusive of any extra duty pay.

Option A:

A teacher electing to take the early retirement payment as one lump sum must notify the superintendent in writing on or before February 1 of the prior year in which retirement will occur. The teacher must provide a final notification of retirement to the superintendent on or before February 1 of the year the retirement will occur.

Option B:

A teacher electing to take the early benefit in payments of 1/3 the amount will have his/her first 1/3 transmitted to SDRS Special Pay Program at the time of his/her termination (retirement) and 1/3 on each July 1 until paid in full.

As of June 30, 2008, 15 employees are receiving benefits under the above plan.

The termination benefit liability reported as \$142,404 (see Note 7) is measured at the actual dollar amount of contracted future benefits. The assumptions used to determine this amount is that the exact amount agreed upon between the retiring employee and the School District is the amount which will be paid.

PIERRE SCHOOL DISTRICT NO. 32-2
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED
JUNE 30, 2008

	Federal CFDA Number	Pass- through Grantor's Number	Expenditures
U. S. DEPARTMENT OF AGRICULTURE:			
Pass-through the S. D. Department of Education:			
Food Distribution (Commodities Used)	10.550	320020	\$53,305
Child Nutrition Cluster:			
School Breakfast Program (Note 2)	10.553	320020	44,764
National School Lunch Program (Note 2)	10.555	320020	245,372
TOTAL U. S. DEPARTMENT OF AGRICULTURE			<u>343,441</u>
U. S. DEPARTMENT OF THE INTERIOR:			
Direct Federal Funding:			
Indian Education Assistance to School- Johnson O'Malley	15.130	N/A	5,172
Pass-through the S. D. Department of Education:			
Distribution of receipts to State and Local Governments (Note 1)	15.227	N/A	13
TOTAL U. S. DEPARTMENT OF INTERIOR			<u>5,185</u>
GENERAL SERVICES ADMINISTRATION:			
Pass-through the S. D. Federal Property Agency:			
Donation of Federal Surplus Personal Property (Note 4)	39.003	N/A	891
U. S. DEPARTMENT OF EDUCATION:			
Direct Federal Funding:			
Impact Aid	84.041	N/A	19,634
Indian Education - Grants to Local Educational Agencies	84.060	N/A	79,241
Pass-through the S. D. Department of Education:			
Title I Grants to Local Education Agencies (Note 3)	84.010	T1-08-118	393,306
Vocational Education - Basic Grants to States	84.048	N/A	22,918

PIERRE SCHOOL DISTRICT NO. 32-2
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED
JUNE 30, 2008

	Federal CFDA Number	Pass- through Grantor's Number	Expenditures
Special Education Grants for Infants and Families with Disabilities (Note 3)	84.181	N/A	\$42,614
Safe and Drug Free Schools And Communities-State Grants (Title IV)	84.186	N/A	14,467
Innovative Education Program Strategies	84.298	N/A	27,299
Special Education Cluster:			
Special Education - Grants to States (Notes 1 & 3)	84.027	N/A	514,593
Special Education - Preschool Grants: (Notes 1 & 3)	84.173	N/A	22,376
Reading First State Grants	84.357	N/A	153,199
Improving Teacher Quality State Grants	84.367	N/A	157,586
Education Technology State Grants	84.318	N/A	38,197
TOTAL U. S. DEPARTMENT OF EDUCATION			<u>1,485,430</u>

GRAND TOTAL

\$1,834,947

NOTE 1: Federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported here represent cash received rather than federal expenditures.

NOTE 2: These amounts reflect cash received. Federal reimbursements are based on approved rates for services provided rather than reimbursements for specific expenditures.

Note 3: This grant was treated as a major program.

Note 4: The amount reported represents 23.3% of the original acquisition cost of the federal surplus property received by the School District.

PIERRE SCHOOL DISTRICT NO. 32-2
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED
JUNE 30, 2008

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the School and is presented on the modified accrual basis of accounting unless otherwise noted. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.